

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 CARL J. KUNASEK

4 Chairman

JIM IRVIN

Commissioner

5 WILLIAM A. MUNDELL

Commissioner

6 In the matter of)

DOCKET NO. S-03334A-99-0000

7 WILLIAM KEITH McCREA)

**NOTICE OF OPPORTUNITY FOR
HEARING REGARDING PROPOSED
ORDER FOR RELIEF**

8 13424 Gable Hill Drive)

9 Sun City West, AZ 85375)

CRD 2234553)

10 ESTATE SERVICES II, INC.)

201 W. Wood Drive)

11 Phoenix, AZ 85029,)

12 Respondents.)

13 **NOTICE: EACH RESPONDENT HAS 10 DAYS TO REQUEST A HEARING**

14 For its proposed order for relief, the Securities Division (Division) of the Arizona Corporation
15 Commission (Commission) alleges that respondents, singularly and in concert, have engaged in acts, practices
16 and transactions, which constitute violations of A.R.S. § 44-1801 et seq., the Securities Act of Arizona
17 (Securities Act or Act).

18 The Division alleges as follows:

19 **I.**

20 **JURISDICTION**

21 1. The Commission has jurisdiction over these matters pursuant to Article XV of the Arizona
22 Constitution, and the Securities Act.

23 **II.**

24 **RESPONDENTS**

25 2. WILLIAM KEITH McCREA (McCREA), whose last known address is 13424 Gable Hill
26 Drive, Sun City West, Arizona 85375, has been registered with the Commission as a securities salesman with

1 LifeUSA Securities, Inc. from on or about September 28, 1998, to the present. From on or about January
2 22, 1993, to December 31, 1997, McCREA was registered with the Commission as a securities salesman
3 associated with Intersecurities, Inc. (ISI).

4 3. ESTATE SERVICES II, INC. (ESTATE SERVICES) is an Arizona corporation since 1991,
5 owned by McCREA. At all times relevant hereto, McCREA was the president of ESTATE SERVICES.

6 4. McCREA and ESTATE SERVICES may be collectively referred to as "RESPONDENTS."

7 **III.**

8 **FACTS**

9 5. Each of the preceding paragraphs is incorporated by reference.

10 6. While associated with ISI during February and March 1997, McCREA offered and sold
11 securities in the form of promissory notes or investment contracts issued by PCO, Inc. (PCO Notes).

12 7. PCO, Inc. a/k/a Personal Choice Opportunities (PCO), a California-based company, raised
13 funds from investors to purchase group life insurance policies from terminally ill patients, "viatical settlements."
14 Pursuant to the viatical settlements, upon the death of an insured, the proceeds of the life insurance policy
15 would be distributed to the designated policy beneficiary, David W. Laing (Laing), who was the president and
16 sole owner of PCO.

17 8. Pursuant to loan agreements with PCO and escrow agreements with both PCO and Escrow
18 Plus, Inc. (Escrow Plus), investors' funds were to be deposited in an escrow account established by Escrow
19 Plus, at Union Bank, Burbank, California Branch. PCO was to use the investors' funds to purchase paid up
20 life insurance policies and to pay fees and commissions to "finders" who solicited the funds. PCO was also to
21 deposit into the escrow documents including verifications of value relating to the purchase of the policies and
22 assignments of policy proceeds to Escrow Plus.

23 9. Pursuant to the agreements, participating investors were to be paid "an annual rate of return of
24 Twenty-Five Percent" and interest payments were to be made semi-annually by Escrow Plus from a pooling
25 of the proceeds of the policies held in the escrow account. Investors were not to be tied into any specific
26 policy purchase. All policies were to be pooled and held as collateral in the Escrow.

1 10. McCREA sold the PCO Notes through his corporate entity, ESTATE SERVICES, as an
2 “Agent Representative” of New Life Trust Group Company (“New Life”) of Medford, Oregon, pursuant to a
3 Finders Commission Agreement (Agreement) between PCO and DVR Consulting Group (DVR). New Life,
4 an agent of DVR, was obligated to pay ESTATE SERVICES a commission of 4% of the funds McCREA
5 solicited from each investor pursuant to the sale of the PCO Notes.

6 11. In a period of approximately 30 days, from on or about February 27, 1997, to on or about
7 March 27, 1997, McCREA sold 21 PCO Notes to investors, who invested approximately \$1,336,000 in the
8 PCO Notes. McCREA was to earn commissions of approximately \$53,440 for these sales, which was to be
9 paid not later than 30 days from the time the funds were placed in the escrow account.

10 12. Some retired investors liquidated annuities that McCREA had sold them less than one year
11 earlier in order to obtain the investment funds for the PCO Notes. RESPONDENTS received commissions
12 on both the sales of the annuities and the sales of the PCO Notes; the investors incurred penalties as a result
13 of the early liquidation of the annuities.

14 13. In connection with the offer and sale of the PCO Notes, McCREA represented to investors
15 that the PCO Notes were a safe or “risk-free” investment, fully secured by a bonded escrow company, when
16 in fact McCREA had no reasonable basis for these statements.

17 14. On February 28, 1997, the Commissioner of Corporations of the State of California issued a
18 “Desist and Refrain” order to PCO and Laing that ordered them to desist and refrain from the further offer or
19 sale in the State of California of securities in the form of interests in promissory notes, joint venture agreements
20 and investment contracts in the form of “loans” to acquire “viatical agreements” unless and until qualification
21 had been made under applicable California law.

22 15. On April 2, 1997, federal prosecutors filed a criminal complaint in United States District
23 Court, Southern District of New York, alleging violations related to the “PCO Loan Program” against the
24 principals of PCO and Escrow Plus. The allegations included a statement that no life insurance benefits had
25 been received or deposited in the PCO Loan Program Escrow Account at the time of the filing of the
26 complaint.

25. RESPONDENTS offered and sold securities in the form of notes or evidences of indebtedness within and/or from Arizona.

26. The securities referred to above were not registered under A.R.S. §§ 44-1871 through 44-1875, or 44-1891 through 44-1902; were not securities for which a notice filing has been made under A.R.S. § 44-3321; were not exempt under A.R.S. §§ 44-1843 or 44-1843.01; were not offered or sold in exempt transactions under A.R.S. § 44-1844; and were not exempt under any rule or order promulgated by the Commission.

27. This conduct violates A.R.S. § 44-1841.

V.

GROUNDS FOR REVOCATION PURSUANT TO A.R.S. § 44-1962

(Denial, Revocation or Suspension of Registration of Salesman)

28. Each of the preceding paragraphs is incorporated by reference.

29. McCREA's conduct constitutes grounds for the revocation of McCREA's registration as a securities salesman with the Commission pursuant to A.R.S. § 44-1962, based upon one or more of the following:

- a) Violations of a provision of the Securities Act within the meaning of A.R.S. § 44-1962(2). Specifically, McCREA violated A.R.S. § 44-1841.
- b) Engaging in dishonest or unethical practices within the meaning of A.R.S. § 44-1962(10) as defined by A.A.C. R14-4-130(A)(17). Specifically, McCREA's sales of PCO Notes were not recorded on the records of ISI, the dealer with whom he was registered at the time of the transactions.
- c) Engaging in dishonest or unethical practices within the meaning of A.R.S. § 44-1962(10) by not complying with the rules and procedures of his dealer, ISI. Specifically, McCREA engaged in private securities transactions and outside business activity involving investments in viatical contracts without obtaining the approval of ISI, which specifically prohibited such activity.

VI.

REQUESTED RELIEF

The Division requests that the Commission grant the following relief against the respondents:

1. Order RESPONDENTS to cease and desist permanently from violating the Securities Act, pursuant to A.R.S. § 44-2032;
2. Order RESPONDENTS, jointly and severally, to take affirmative action to correct the conditions resulting from their acts, practices or transactions, including without limitation a requirement to make restitution pursuant to, inter alia, A.R.S. § 44-2032;
3. Order RESPONDENTS, jointly and severally, to pay the state of Arizona an administrative penalty of up to five thousand dollars (\$5,000) for each violation of the Securities Act, pursuant to A.R.S. § 44-2036;
4. Order the revocation of McCREA's registration as a securities salesman pursuant to A.R.S. § 44-1962;
5. Order any other relief that the Commission deems appropriate and authorized by law.

VII.

HEARING OPPORTUNITY

In accordance with A.R.S. § 44-1972 and A.A.C. R14-4-306, RESPONDENTS are notified that each respondent is afforded an opportunity for a hearing only by filing a written request for a hearing and cover sheet with Docket Control, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007, within 10 days after service of this Notice. RESPONDENTS are further notified that a cover sheet must accompany all filings. Failure to use the cover sheet may result in the delay of processing or the refusal to accept documents. RESPONDENTS may obtain a copy of the cover sheet by calling Docket Control at (602) 542-3477.

The date set for the hearing shall be within 15 to 30 days after the request for the hearing has been docketed, unless otherwise provided by law, stipulated by the parties, or ordered by the Commission. Any respondent who does not request a hearing within the time prescribed is subject to the Commission issuing an

1 order against that respondent containing such relief as the Commission deems appropriate, including but not
2 limited to the relief requested above.

3 Persons with a disability may request a reasonable accommodation such as a sign language interpreter,
4 as well as request this document in an alternative format, by contacting Cynthia Mercurio-Sandoval, ADA
5 Coordinator, voice phone number 602/542-0838, e-mail csandoval@cc.state.az.us. Requests should be made
6 as early as possible to allow time to arrange the accommodation.

7 Dated this _____ day of _____, 1999.

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11 Mark Sendrow
12 Director of Securities
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